
UNDERWRITING

UNDERWRITERS

Public Offer Underwriters

CAF Securities
Guotai Junan Securities (Hong Kong) Limited
BCOM Securities Company Limited
First Asia Finance Group Limited
First Shanghai Securities Limited
Get Nice Investment Limited
Gransing Securities Co., Limited
Kingston Securities Limited
Phoenix Capital Securities Limited
Stockwell Securities Limited
Sun Hung Kai International Limited
Wintech Securities Limited

Placing Underwriters

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Guotai Junan Securities (Hong Kong) Limited
BCOM Securities Company Limited
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Kingston Securities Limited
Phoenix Capital Securities Limited
Stockwell Securities Limited
Sun Hung Kai International Limited
Wintech Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting arrangement

Pursuant to the Underwriting Agreement, (i) the Company is offering the Public Offer Shares for subscription pursuant to the Public Offer subject to the terms and conditions of this prospectus and the application forms relating thereto and (ii) the Company and the Vendor has appointed the Placing Underwriters as their agents to offer the Placing Shares by way of Placing, in each case, at the Offer Price. Conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus on or before 10 July 2003 (or such date or dates as the Lead Manager, on behalf of the Underwriters may determine), and certain other conditions set out in the Underwriting Agreement, (1) the Public Offer

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Underwriters have severally agreed to subscribe or procure subscribers for the Public Offer Shares being offered for subscription and which are not taken up under the Public Offer; and (2) the Placing Underwriters have severally agreed to subscribe or purchase, or procure subscribers or purchasers, for the Placing Shares.

Grounds for termination

The Lead Manager, on behalf of the Underwriters, has the sole and absolute right to terminate the Underwriting Agreement after such consultation with the Company as the Lead Manager in its sole and absolute discretion sees fit, by notice in writing given to the Company at any time prior to 8:45 a.m. on the date of despatch of share certificates for the Offer Shares if any one or more of the following events shall have occurred:

- (1) in the absolute opinion of the Lead Manager (for itself and on behalf of the Underwriters), the success of the Share Offer would or might be materially or adversely affected by:
 - (i) the introduction of any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof or other occurrence of any nature whatsoever which may in the absolute opinion of the Lead Manager (for itself and on behalf of the Underwriters) materially and adversely affect the business or financial prospects of the Company or the Group (taken as a whole); or
 - (ii) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date thereof and including an event or change in relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic or other nature, whether or not sui generis with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic or stock market conditions; or
 - (iii) the imposition of any moratorium, suspension or material restrictions on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
 - (iv) a change or development involving a prospective change in taxation in Hong Kong, BVI or the Cayman Islands, the PRC or any other jurisdiction relevant to the Company and its subsidiaries or the implementation of exchange controls which shall or might materially and adversely affect the Company or its present or prospective shareholders in their capacity as such; or
 - (v) any change or deterioration in the conditions of local, national or international securities markets occurs which, in the absolute opinion of the Lead Manager (for itself and on behalf of the Underwriters), is likely to materially and adversely affect the success of, or makes it inexpedient or inadvisable to proceed with, the Share Offer;

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- (2) **if, at any time prior to 8.45 a.m. on the date of despatch of share certificates for the Offer Shares:**
- (i) **there comes to the notice of any of the Lead Manager, the Sponsor, the Co-sponsors and the Underwriters any matter or event showing any of the representations and warranties contained in the Underwriting Agreement to be untrue or inaccurate in any material respect considered by the Lead Manager (for itself and on behalf of the Underwriters) in its absolute opinion to be material in the context of the Share Offer; or**
 - (ii) **any of the executive Directors, the Covenantors and/or the Company commits any material breach of, or omits to observe in any material respect, any of the obligations or undertakings expressed to be assumed by them or it under the Underwriting Agreement; or**
 - (iii) **there comes to the notice of any of the Lead Manager, the Sponsor, the Co-sponsors and the Underwriters any information, matter or event which, in the absolute opinion of the Lead Manager (for itself and on behalf of the Underwriters) may lead to a material adverse change in the business or in the financial or trading position of any member of the Group.**

Undertakings

- (a) Each of the Covenantors has severally undertaken to, and covenanted with, the Company, the Lead Manager, the Sponsor, the Co-sponsors and the Underwriters that other than to facilitate the Over-allotment Option, he or it shall not, and shall procure that none of his or its associates and the companies controlled by or nominees or trustees holding in trust for him or it shall, within the period commencing on the date of the Underwriting Agreement and ending on the date falling six months after the Listing Date, sell, transfer or otherwise dispose of or create any rights in respect of any of the Shares owned by him or it, his or its associates or the relevant company, nominee or trustee after the completion of the Share Offer and the Capitalisation Issue, or sell or transfer or otherwise dispose of any interest in any shares in any company controlled by him or it which is directly, or through another company indirectly, the beneficial owner of any of the Shares, provided that the foregoing restriction shall not apply to any Shares which he or it or any of his or its associates may acquire or become interested in following the Listing Date and that, in the event of a disposal of any of the Shares at any time after the expiry of such six-month period, such disposal shall be effected in such a manner so as not to create a disorderly or false market.
- (b) Each of the Covenantors has severally undertaken to, and covenanted with, the Company, the Lead Manager, the Sponsor, the Co-sponsors and the Underwriters that neither he or it nor his or its associates nor any company controlled by him or it nor any nominee or trustee holding in trust for him or it shall, within the period commencing on the date immediately following the date falling six months after the Listing Date and ending on the date falling six months thereafter, sell, transfer or otherwise dispose of or create any rights in respect

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of any of the Shares owned by him or it, his or its associates or the relevant company, nominee or trustee after the completion of the Share Offer, or dispose of any interest in any shares in any company controlled by him or it which is directly, or through another company indirectly, the beneficial owner of any of the Shares if, immediately following such sale, transfer or disposal he or it or the relevant company, nominee or trustee would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company.

- (c) Each of the Company, the executive Directors and the Covenantors has severally undertaken to and covenanted with the Lead Manager, the Sponsor, the Co-sponsors and the Underwriters to procure that, the Company and its subsidiaries shall not, save for the issue of the Offer Shares, the Over-allotment Shares, any Share which fall to be issued upon the Capitalisation Issue or pursuant to the exercise of options granted under the Share Option Scheme or the grant of options under the Share Option Scheme (i) within the period of six months from the Listing Date, issue or agree to issue any shares in the Company or any subsidiary or grant or agree to grant any options, warrants or other rights carrying any right to subscribe for or otherwise acquire any securities of the Company or any subsidiary and (ii) within a period of six months after expiry of the first six months period from the Listing Date issue any shares in the Company or any subsidiary or grant or agree to grant any options, warrants or other rights carrying any right to subscribe for or otherwise acquire any securities of the Company or any subsidiary, completion of which would result in the Covenantors or any of them ceasing to be the controlling shareholder (as defined in the Listing Rules) of the Company.
- (d) Each of the Company, the executive Directors and the Covenantors has undertaken to and covenanted with the Underwriters that save with the prior written consent of the Lead Manager (for itself and on behalf of the Sponsor, the Co-sponsors and the Underwriters), no member of the Group shall within the period of six months from the date of this prospectus purchase any securities of the Company.
- (e) Each of the executive Directors and the Covenantors has further jointly and severally undertaken to and covenanted with the Company, the Lead Manager, the Sponsor, the Co-sponsors and the Underwriters that each of them shall not, and shall procure that none of his or its associates, nominees or trustees holding in trust for any of them shall, within the period of 12 months after the Listing Date, pledge, charge, encumber or create any third party rights in respect of any of the Shares beneficially owned by each of them or each of their associates, nominees or trustees save with the prior written consent of the Lead Manager (for itself and on behalf of the Sponsor, the Co-sponsors and the Underwriters).
- (f) The Covenantors and the executive Directors have jointly and severally undertaken with the Company, the Lead Manager, the Sponsor, the Co-sponsors and the Underwriters that within the period of 12 months from the Listing Date he/it will:
 - (i) if he or it pledges, charges, encumbers or creates third party rights over any securities or interests in the securities of the Company beneficially owned by or controlled by him or it, immediately inform the Company, the Lead Manager, the Sponsor and the Co-sponsors of such pledges or charges with the number of securities so pledged or charged and the proposed use of any funds secured thereby; and

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- (ii) if he or it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities or interest in the securities of the Company will be disposed of, immediately inform the Company, the Lead Manager, the Sponsor and the Co-sponsors of such indications.

The Company will inform the Stock Exchange as soon as it has been informed of matters referred to in paragraphs (f)(i) and (ii) above by the Covenantors and publish a press notice should the events referred to in paragraphs (f)(i) and/or (f)(ii) above occur.

The Covenantors have separately undertaken to the Company and the Stock Exchange that within 12 months of the Listing Date: (i) if any Shares beneficially owned by them are pledged or charged, immediately inform the Company of such pledge or charge and the number of Shares so pledged or charged; and (ii) on receipt of indications, whether verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform the Company.

- (g) Each of China Plaza, Luskin Star, Dynamic Bright, Equity Eye and their respective beneficial owners has undertaken to and covenanted with the Company, the Lead Manager, the Sponsor, the Co-sponsors and the Underwriters that he or it shall not, and shall procure that none of his or its associates and the companies controlled by or nominees or trustees holding in trust for him or it shall, without the prior written consent of the Lead Manager, within the period commencing on the date of the Underwriting Agreement and ending on the date falling six months after the Listing Date, sell, transfer or otherwise dispose of or create any rights, charges, interests or encumbrances in respect of any of the Shares owned by him or it, his or its associates or the relevant company, nominee or trustee after the completion of the Share Offer and the Capitalisation Issue, or sell, transfer or otherwise dispose of any rights, charges, interests or encumbrances in any shares in any company controlled by him or it which is directly, or through another company indirectly, the beneficial owner of any of the Shares, provided that the foregoing restriction shall not apply to any Shares which he or it or any of his or its associates may acquire or become interested in following the Listing Date, and that, in the event of a disposal of any of the Shares at any time after the expiry of such six-month period, such disposal shall be effected in such a manner so as not to create a disorderly or false market.

Commission and fees

The Public Offer Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of the Public Offer Shares. The Placing Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of the Placing Shares. DTCF, Upbest and CAF Securities will each receive a documentation and advisory fee. Such fee and commission, together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, the investor compensation levy, legal and other professional fees, printing, advertising costs and other expenses relating to the Share Offer, are estimated to amount to approximately HK\$18.6 million in total and are payable as to approximately HK\$15.4 million by the Company and as to approximately HK\$3.2 million by the Vendor.

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Underwriters' and Sponsors' interest in the Company

Save (i) as disclosed in this prospectus; (ii) for their interests and obligations under the Underwriting Agreement; and (iii) the Lead Manager's rights, interests and obligations under the Stock Borrowing Agreement, none of the Sponsors, the Lead Manager and the Underwriters is interested beneficially or non-beneficially in any shares in any member of the Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.